

# **U.S. Small Business Administration**

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## **Recovery Report Card**

February 2010

## SBA Recovery Act Highlights

- In October 2008, credit markets, including SBA's, froze, and the SBA secondary market slowed dramatically.
- On March 16, SBA implemented two critical Recovery Act provisions:
  - 90% guarantees on 7(a) loans, and
  - Fee reductions in both the 7(a) and 504 programs.
- Due to the success of these programs, the SBA received an additional \$125 million in December to fund Recovery loans through February.
- The Recovery Act provisions have helped drive significantly improved loan volumes from the depths of the crisis.
  - **Expanded access to capital:** As of February 28, SBA approved<sup>1</sup> \$16.5 billion in loans, and supported \$22.2 billion in lending to small businesses<sup>2</sup>.
  - **New lenders:** From Feb. 17 to February 28, 1,131 lenders who had not previously made a 7(a) loan since at least 2007 made a loan.
  - **Recovered volumes:** From February 17, 2009, to mid Feb. 2010, weekly loan dollar volumes rose 87% in the 7(a) and 504 programs, compared to the weeks preceding the Recovery Act's passage<sup>3</sup>.
  - **Broad-based support:** A significant share of Recovery loans has gone to rural (24%), minority-owned (21%), women-owned (19%), and veteran-owned (8%) businesses<sup>4</sup>
  - **ARC loan program:** As of February 28, SBA approved 6,340 loans totaling over \$204.7 million<sup>5</sup>.
- The secondary market has also recovered.
  - **Improved secondary market volume:** Over the past nine months (June 2009 – February 2010), the average monthly loan volume settled from lenders to broker-dealers in the 7(a) secondary market has been \$339 million and \$310 million settled in February 2010
  - **Recovering premiums:** In February, 82% of the loans settled, representing 67% of total dollars, were sold at or above premiums of 106 – a return to 2007 premium levels. By comparison, in January and February 2009, zero loans sold at premiums above 106.

<sup>1</sup> This is the total gross value of Recovery loans approved since February 17. Typically, due to cancellations and loan size reductions, 15 – 20% of gross approval value does not get disbursed. Including non-Recovery loans, SBA approved \$17.1 billion in loans and supported \$22.8 billion in lending since February 17, 2009.

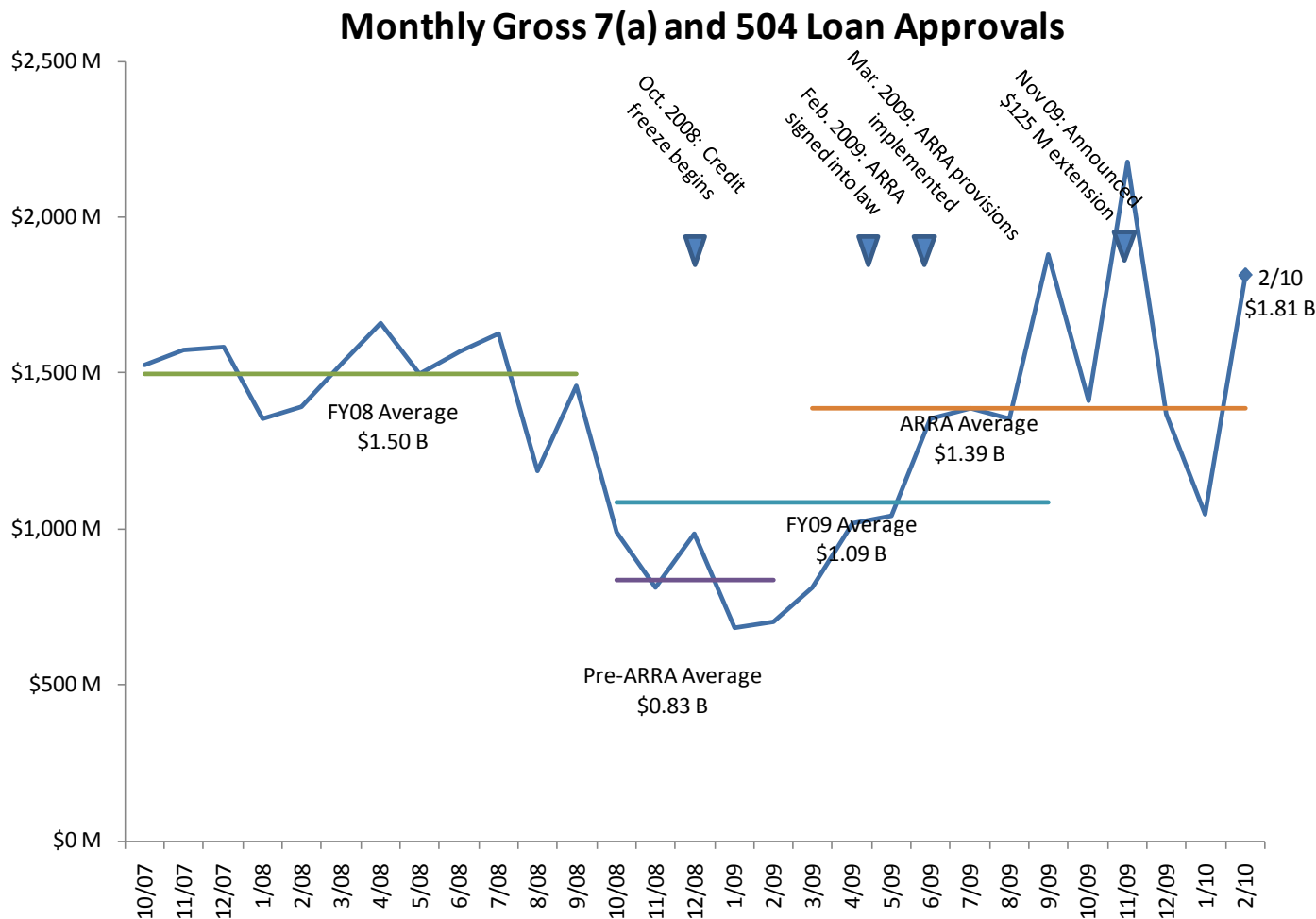
<sup>2</sup> Includes estimate of 504 third-party first mortgages (calculated as 125% of SBA 504 debenture portion due to typical 50/40 split between third-party and SBA portion of 504 loan)

<sup>3</sup> Compares average weekly gross approvals in the 7 weeks prior to Recovery Act to the average weekly gross approvals since the Recovery Act was signed. Normalized for market holidays as well as disruptions caused by Washington, DC water outage (August 7, 2009).

<sup>4</sup> Demographic data is self-reported.

<sup>5</sup> See Footnote 1.

# Monthly 7(a) and 504 Loan Volume: FY2007 – 2010



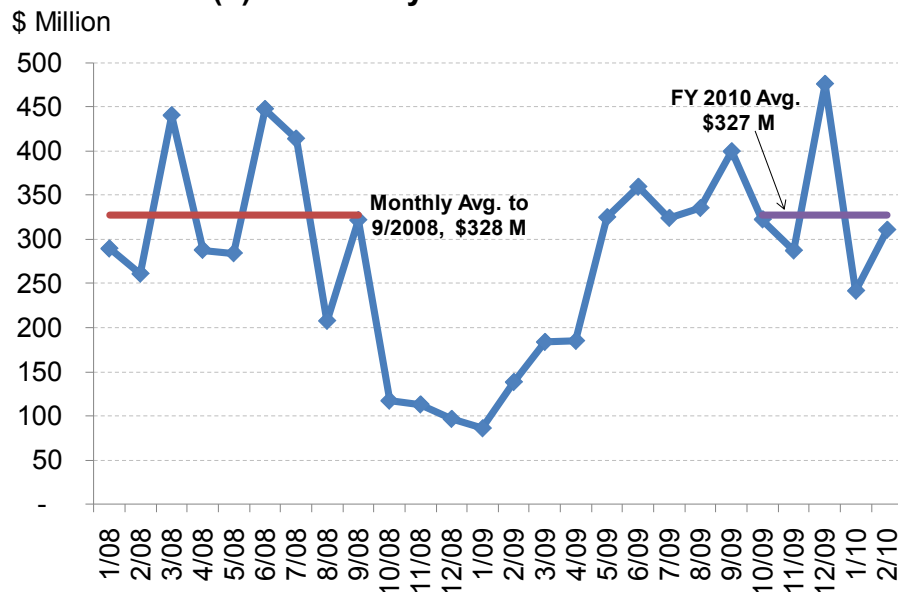
- February 2010's gross 7(a) and 504 approval volume was:
  - 21 percent above the monthly average for FY 2008
  - 67 percent above the monthly average for FY 2009
- Uptick in November 2009 and February 2010 was driven by notification to lenders that Recovery Act funds for loans and subsequent extensions was nearly exhausted.

NOTE: All loan volumes are gross loan value approved. Typically, due to cancellations and loan size reductions, 15 – 20% of gross approval value does not get disbursed.

# Monthly Secondary Market Metrics: February 28, 2010

## Volume

**7(a) Secondary Market Settled Value**

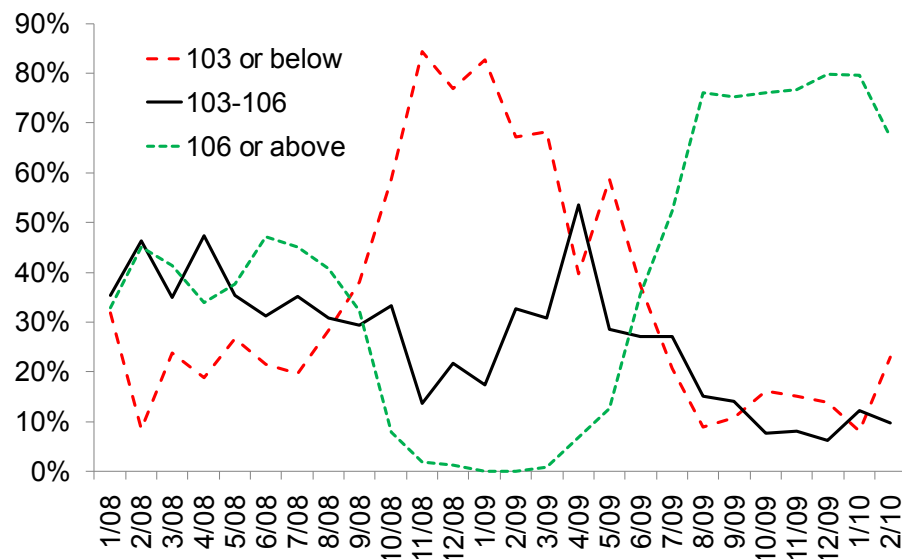


**Recovery Continuing:** Over the past nine months, the average monthly loan volume settled from lenders to broker-dealers in the 7(a) secondary market has been \$339 million, which is above pre-recession averages.

In February 2010, \$310 million settled in this market.

## Pricing

**7(a) Secondary Market Premium Ranges**



**Premiums Recovering:** Premiums have begun to recover in the 7(a) secondary market, and for the past 6 months have been at 2007 levels.

**Pricing Improving:** In February, 82% of the loans settled, representing 67% of the total dollars, were sold at or above premiums of 106. By comparison, in January and February, 2009, zero loans sold at premiums at or above 106.

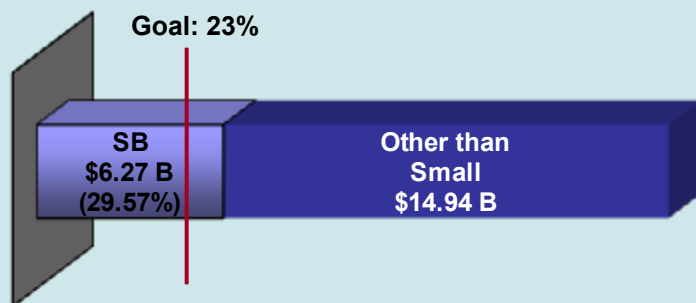
# Recovery Act contracts are getting into the hands of small and disadvantaged businesses

## ARRA contracts are getting into the hands of small businesses

- SBA is responsible for ensuring that 23% of all federal government contracts go to small businesses
- As of January 29, 2010, 29.57% of federal agency Recovery Act contracting dollars have gone into the hands of small businesses

### Prime Contracting to Small Businesses

ARRA, January 29, 2010, % of Federal Contract Dollars



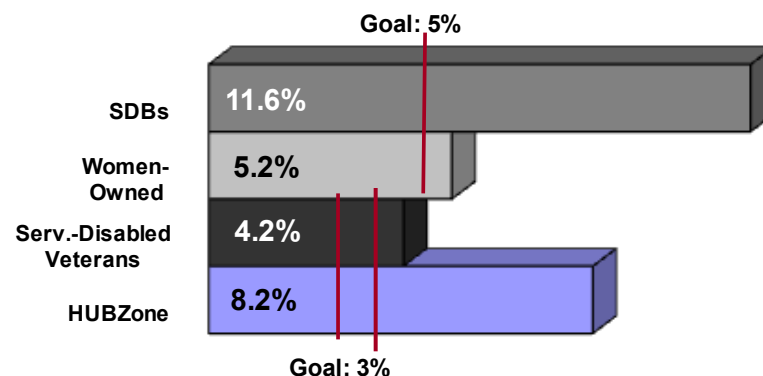
## The SBA is taking steps to support disadvantaged small businesses in government contracting

### Stakeholder Outreach Initiative

- Vice President Biden, SBA and the Department of Commerce are co-leading a Recovery Act contracting outreach initiative for small and disadvantaged businesses

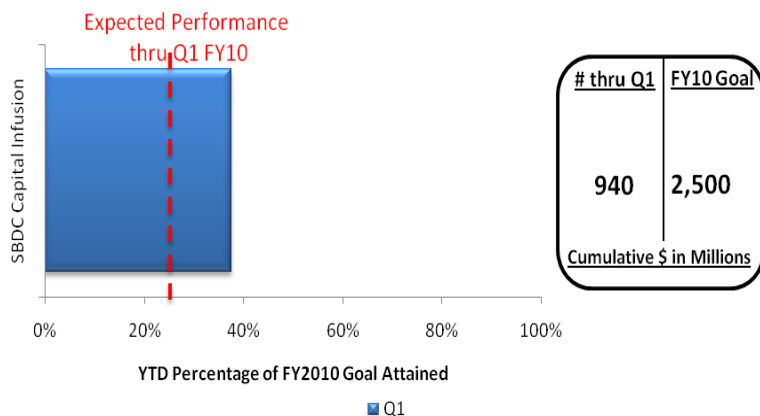
### Prime Contracting to Disadvantaged Businesses

ARRA, February 28, 2010, % of Federal Contract Dollars



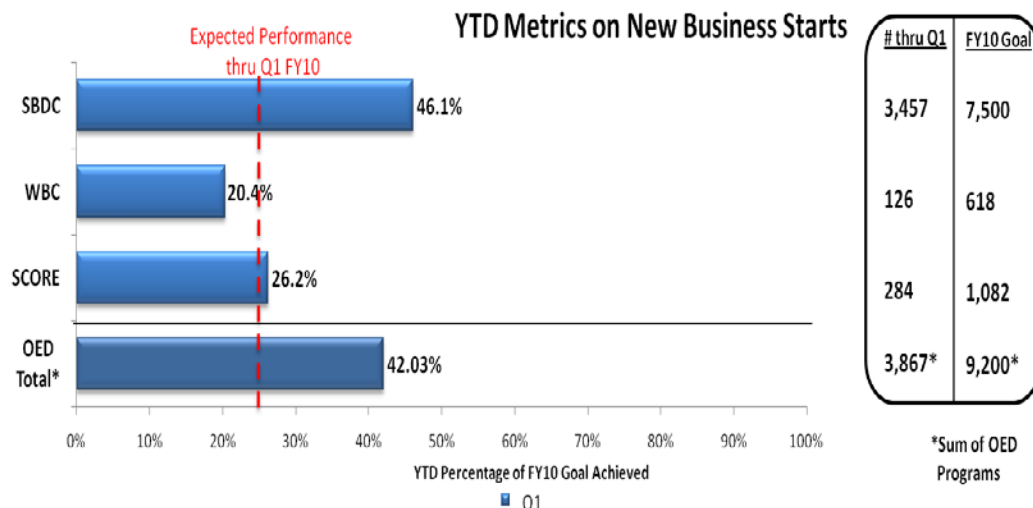
## SBDCs are On Track to Surpass Annual Capital Infusion Goal of \$2.5 Billion

As of December 31, 2009 SBDCs assisted clients in obtaining \$939.5 Million



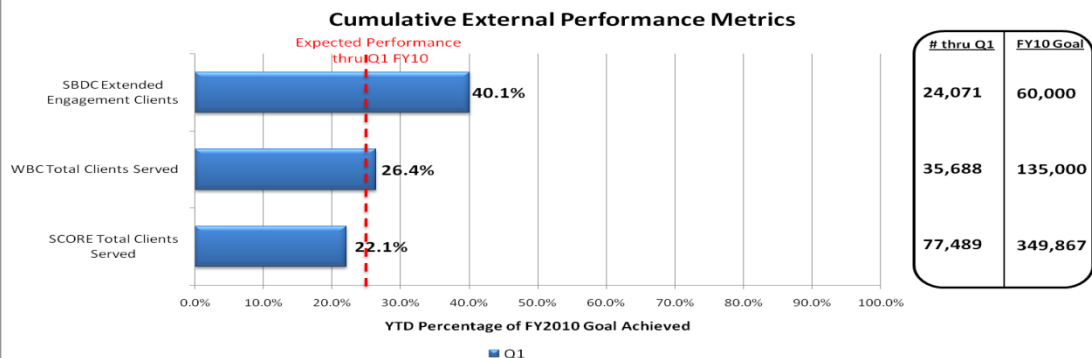
## OED Programs are Driving Business Creation

As of Dec. 31, 2009, SBA helped create 3,867 new businesses



## OED Programs Annual Performance Metrics for Client Activity

Based on Data as of December 31, 2009



## OED Programs are on Pace to Serve over 1 Million Clients in FY2010

